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STATISTICAL BULLETIN

Volume 18, No. 3, March, 1985

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The Conference Board

COMMENT

Last June, the *Economic Forecasts* were indicating that 1985 would be a year of rather sluggish economic activity—a median forecast of only about 2% growth in real GNP from the end of 1984 to the end of 1985. The consensus of these eight forecasts was in line with other forecast compilations, such as that put together by Eggert Economic Entreprises, Inc. Prospects have brightened considerably in the last nine months. As shown in the accompanying chart, the median forecast of real GNP growth this year was revised to a quite robust 4% in February, although that figure was trimmed in March. The most prominent change in the economic environment since last Spring has been the faster pace of money growth and the drop of almost 400 basis points in short-term interest rates. Moreover, interest rates abroad have been hiked. The dollar, however, which had appreciated last year on the strength of high domestic rates, continued to rise even as domestic rates came down.

The trade-weighted average *Exchange Rate* of the dollar against other major currencies has risen by about 10% in each of the last four years, and that pace has been maintained in the first months of this year. The dollar is now not only strong but seems to gather strength almost regardless of conditions—as long as inflation remains well in check. And, of course, the strong dollar acts to keep inflation in check. Domestic producers are under fierce competition from imports priced at a steep discount by that strong dollar and are thus compelled to minimize any hikes in the price of their products.

Much of the dollar's strength derives from the relatively poor economic performance of our major trading partners over the last few years. In the case of at least two currencies, however, the rise in the dollar began much earlier. From 1967, which was well before the era of floating exchange rates, to 1978, the year when the dollar's effective *Exchange Rate* bottomed out, the American dollar actually rose by 5.7% against the Canadian dollar and by 43.1% against the British pound.

As shown on the *Foreign Exchange* chart, the dollar's rise against all seven of our major trading partners has been appreciable. In 1978, one American dollar traded for .52 British pounds, 1.14 Canadian dollars, 1.79 Swiss francs, 2 West German marks, 4.5 French francs, 210 Japanese yen and 849 Italian lire. In February, 1985, one American dollar was trading for .92 pounds, 1.38 Canadian dollars, 2.8 Swiss francs, 3.3 marks, 10.2 French francs, 259 yen and 2060 lire.

These exchange rate comparisons show how far the dollar has climbed from the low in 1978. Against the Canadian dollar, however, the American dollar has risen only 21% since 1978; this relatively modest increase reflects both the earlier appreciation and the proximity of the Canadian economy. The dollar has risen by only 23% against the yen, which reflects the fact that the Japanese economy is the healthiest among our major trading partners. Compare that figure with the 58% rise against the Swiss franc and 65% against the mark, two relatively strong currencies of the past decade. Despite this steep appreciation, one dollar trades now for 2.8 Swiss francs and 3.3 marks, considerably less than the 4.3 francs and 4 marks it commanded back in 1967.

The dollar's rise against the other three trading partners has been nothing short of extraordinary. The dollar is now 76% higher against the pound than it was in 1978. And it has climbed 125% against the French franc and 143% against the lira.

The high value of the dollar steeply discounts the price of imported goods. Last Summer, the flow of imports rose sharply as vendors attempted to maintain sufficient supply in order to process current orders and expected increases in demand. Consequently, the balance-of-trade deficit widened considerably. As indicated on the *Retail Sales* chart, growth in consumer spending slowed and an unintended inventory buildup developed. The flow of imports, then, was reduced in the fourth quarter in order to bring inventory more in line with the selling pace.

The big drop in the trade deficit for the fourth quarter of 1984 helped produce a quite healthy gain of 4.9% in real GNP (seasonally adjusted at an annual rate). The big decline in interest rates has helped to sustain the pickup in business investment. Furthermore, it has spread through to consumer loan rates, breathing more life into consumer spending. Consequently, the pace of economic activity in the first quarter of 1985 has probably been only a step slower than it was in the prior quarter; the median of the *Economic Forecasts* shows a 4.1% gain in real GNP.

Rising demand for consumer and capital goods ought to keep the pace of activity lively over the next six months.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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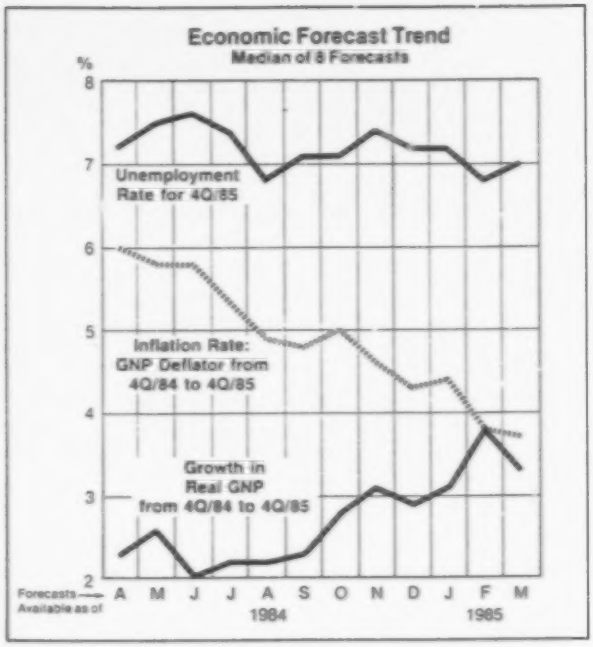


Sales of cars and homes have recently rebounded and consumers will likely have enough income and borrowing power to continue shopping. The January and February readings of The Conference Board's *Consumer Confidence Index* indicate that households are not particularly worried about job or income prospects over the next six months.

Business investment fairly boomed in 1984 and the Conference Board's *Capital Appropriations and Expenditures* survey for the fourth quarter showed no evidence of any slowing. Spending on plant and equipment, by the 1,000 largest manufacturers, rose by almost 9% in the fourth quarter. Capital appropriations (approval of spending on new projects) were also considerably higher. The survey respondents said that they expect their capital spending to rise by 34% in 1985, following a 19% increase in 1984.

The data on the *Perspective on the Federal Budget* table show that governmental expenditures are also increasing, especially for defense. The revised Congressional Budget Office spending estimates for fiscal 1985 are reasonably close to the Administration's numbers, except for agriculture. CBO's spending estimates for fiscal 1986 are about $20 billion higher than the Administration's. The budget deficit, then, is now pegged at about $215-220 billion for fiscal 1985, and $180-190 billion for fiscal 1986.

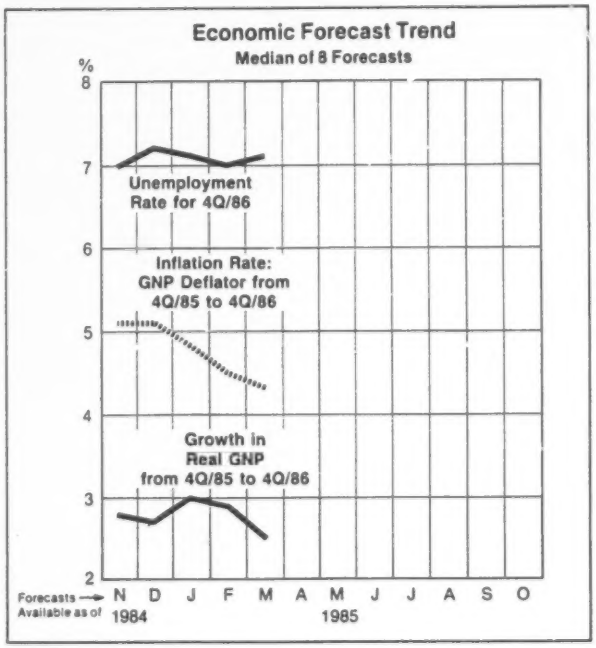
The *Fiscal Thrust* of these large budget deficits, supplemented by a pickup in money growth and lower interest rates, help clear a path for a little stronger consumer spending and strong business investment. The median of the *Economic Forecasts* is for a 3.4% rise in real GNP in the second quarter of 1985, and 3.2% in the third quarter.

With the dollar as high as it is, imports remain relatively cheap. If these expectations of solid economic performance are on target, the trade deficit is likely to start widening again. Moreover, solid economic performance is likely to be accompanied by solid growth in credit demand. With consumers, business and the government borrowing heavily, interest rates could begin rising in the next few months.

Budget deficits have a stimulative impact on the economy while trade deficits, high interest rates and a high dollar are destimulative. When the trade deficit and interest rates fell in 1984, the balance between the stimulative and destimulative forces shifted, favoring higher economic growth. The pendulum will begin to swing in the other direction. There is general agreement on reducing budget deficits. The Federal Reserve's public pronouncements suggest that no further easing of monetary policy may be forthcoming soon. The trade deficit is unlikely to shrink this year. Only a dollar decline could tip the scales and no one has any semi-educated guess as to when that may get underway.

The median *Economic Forecast* indicates that real output growth will slow to 2.7% in the fourth quarter of 1985 and to 2.2% in the first quarter of 1986. The more pessimistic forecasts indicate that the slowdown in economic growth could be considerably more pronounced than that.

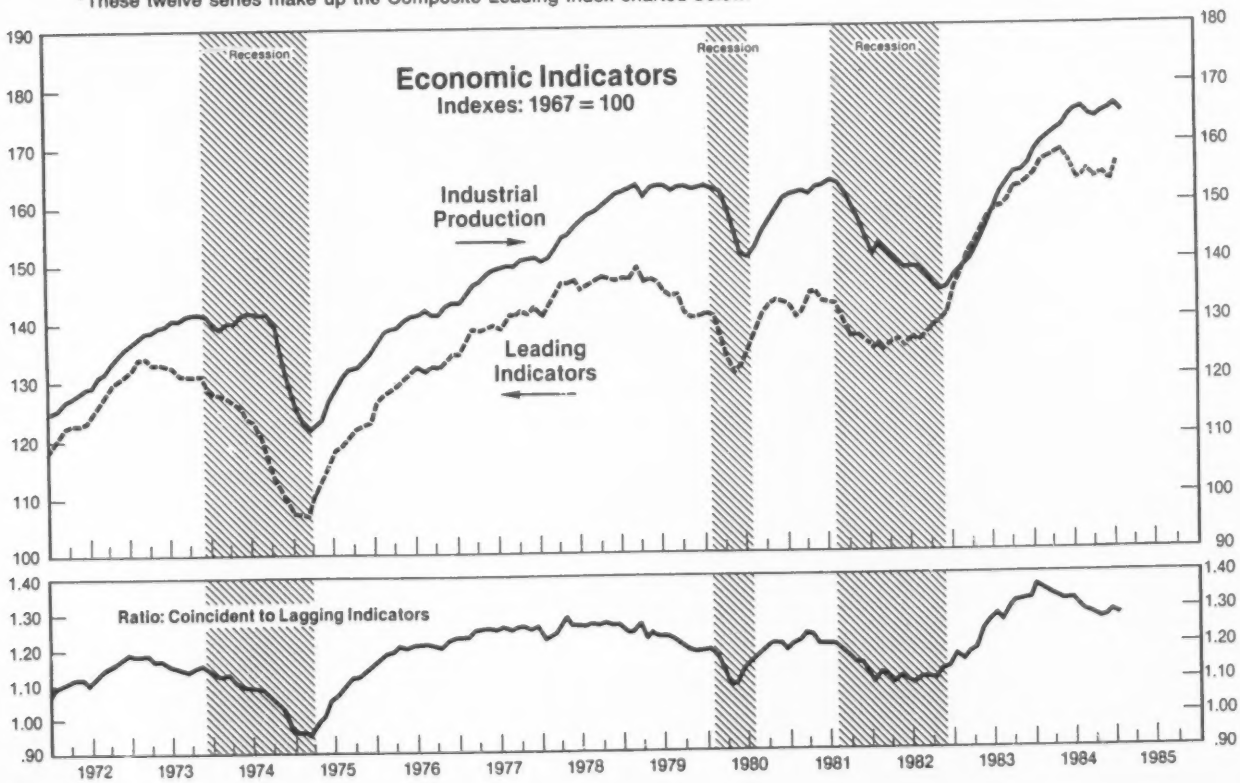
Ken Goldstein
March 11, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			+ 1.6%	+ 1.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.			X	−14.2%	− 11.6%
New orders, nondefense capital goods (deflated)	Jan.			X	−12.2%	− 12.9%
*New business formation	Jan.		X		− 0.6%	+ 0.2%
*Housing permits	Jan.	X			+15.7%	− 8.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.	X			+ 9.6%	+ 4.9%
*Change in inventory, on hand & order (deflated)	Dec.			X	−12.4%	− 12.4%
Purchasing agents' buying policy	Feb.			X	− 6 %	− 10 %
*Vendor performance, reported slower deliveries	Jan.			X	− 5 %	− 16 %
Industrial raw materials prices	Feb.			X	− 5.3%	− 0.4%
*Change in sensitive material prices	Jan.		X		+ 0.2%	− 1.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X			+ 2.9%	+ 5.3%
Change in business loans	Jan.		X		−29.2%	+ 61.3%
*Change in credit outstanding	Jan.		X		− 0.1%	+ 4.7%
Change in consumer installment debt	Dec.		X		+32.0%	+ 14.0%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			+ 1.7%	+ 0.0%
*Common stock prices	Feb.	X			+ 9.3%	+ 15.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.			X	− 0.5hr	− 0.9hr
*Initial unemployment claims (inverted)	Feb.	X			+ 8.1%	− 5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



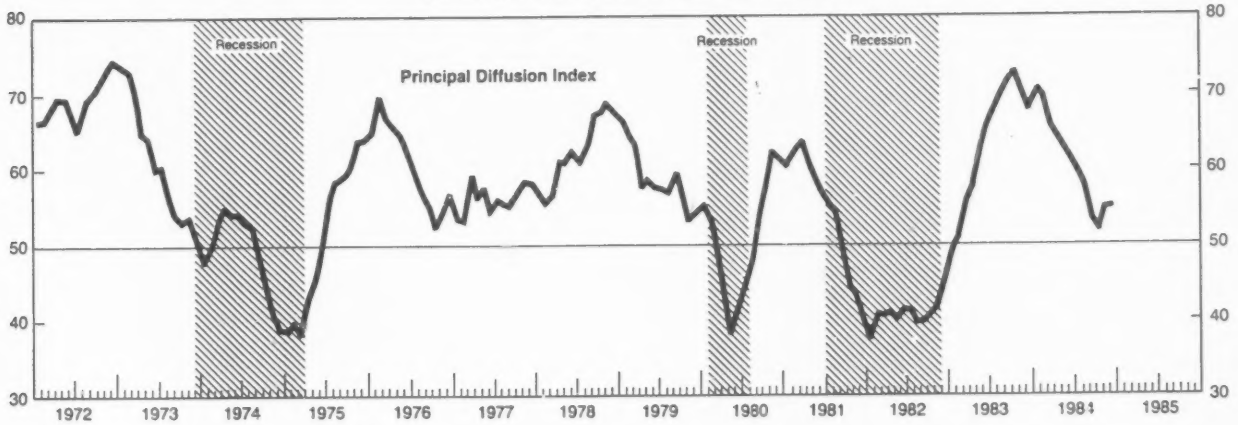
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 Jan.	1985 Oct.	Nov.	Dec.	Jan.(e)
Principal Diffusion Index	70.7	51.9	54.1r	55.4r	56.6
Auxillary Diffusion Index	57.7	43.3r	57.4r	54.2r	53.8
Industrial Group	71.8	50.9	51.9r	55.7r	54.6
Nonindustrial Group	69.6	52.8	56.4	55.1	58.6
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	63.0	49.1	47.2r	55.1r	61.8
Labor	73.5	53.8	57.4	60.9	54.9
Miscellaneous	80.8	46.2	44.9	43.6	42.9
Nonindustrial Subgroups					
Prices	68.6	37.8	46.2	38.5	39.1
Consumer	76.5	67.9	72.6	66.7	71.8
Building	68.6	55.1	61.5	60.3r	66.0
Miscellaneous	64.1	46.2	43.6	51.3r	53.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 May	Aug.	Nov.	1983 Feb.	May	Aug.	Nov.	1984 Feb.	May	Aug.	Nov.
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

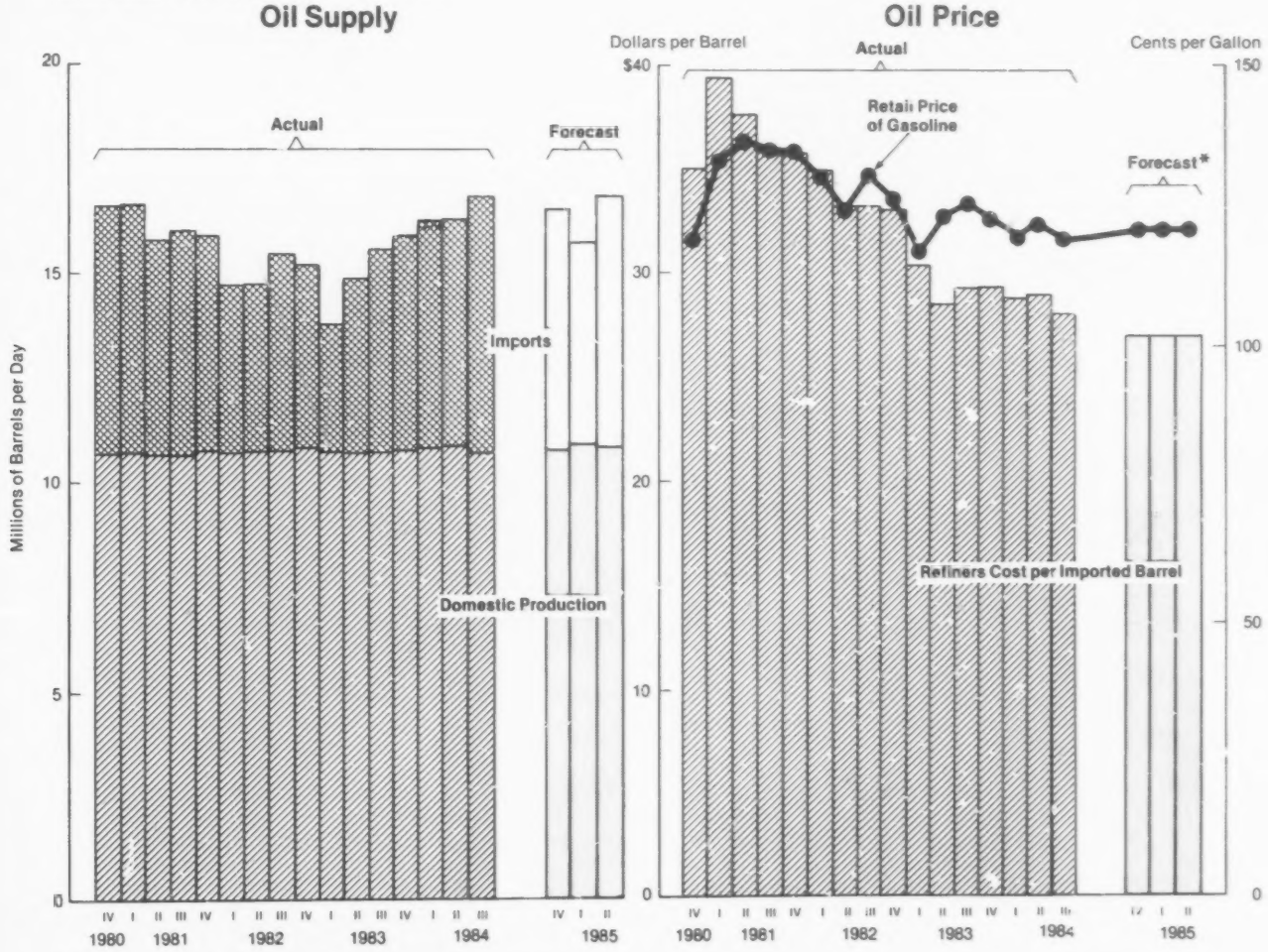
	1983			1984				Percent Change From Previous Year		
	IIr	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actuals	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.874	22.875	24.262	26.816	37.154	27.592	28.984	1	32	7
Capital expenditures	18.664	18.244	19.560	19.905	21.808	22.924	24.956	−23	19	34
Change in appropriations backlog*	+0.982	+1.988	+0.928	+5.152	+13.867	+3.386	+1.341			
Durable Goods										
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	−17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	−19	33	25
Change in appropriations backlog*	+0.887	+1.466	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.666	13.238	13.154	15.938	14.975	14.190	− 9	1[illegible]	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	−26	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.663	5.831	6.968	5.335	8.385	10.801p				
Capital expenditures	9.236	9.024	8.292	8.757	9.150	9.127p				
Change in appropriations backlog*	−6.849	−3.913	−4.056	−5.799	−2.466	+0.646p				

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

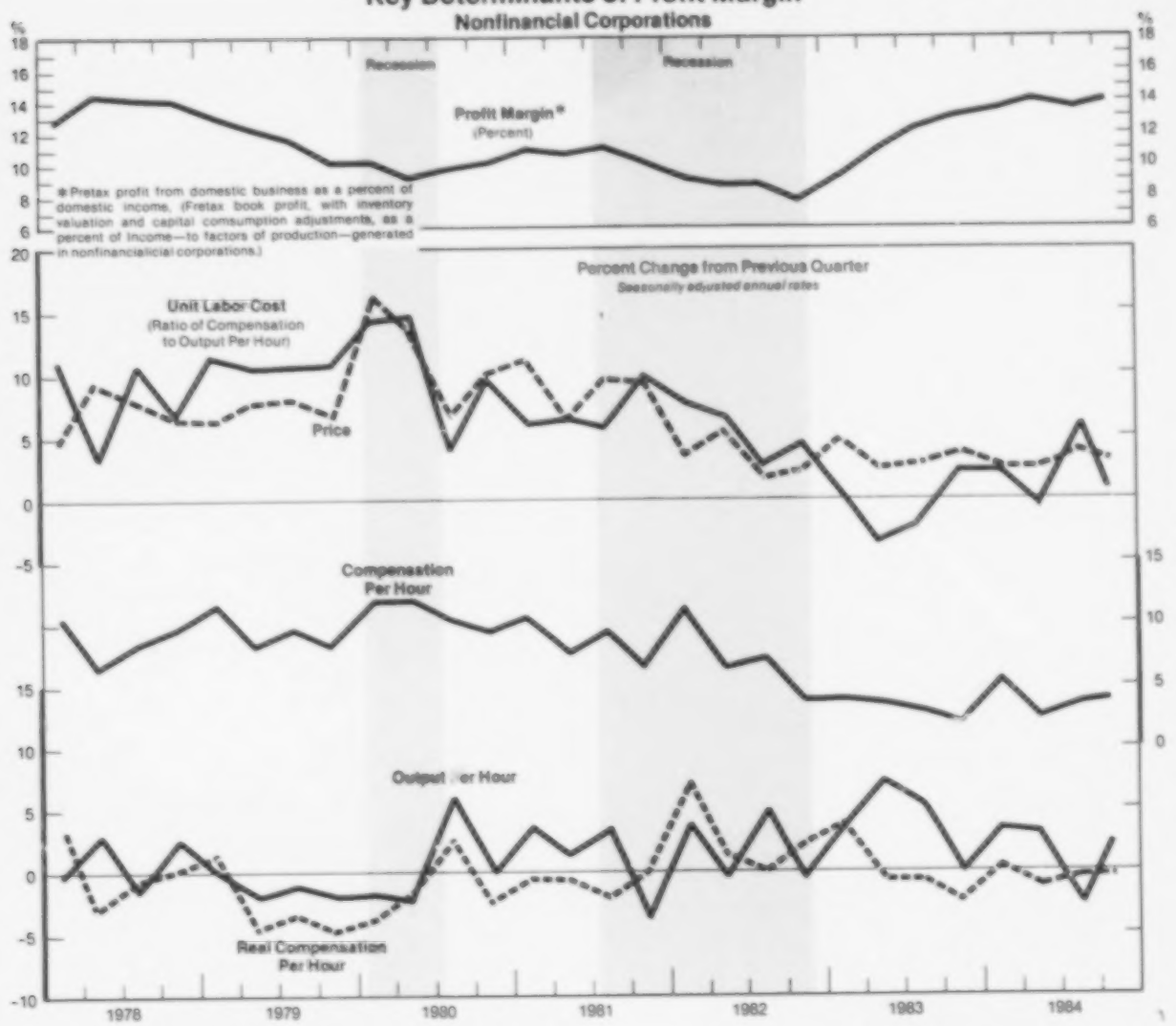
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

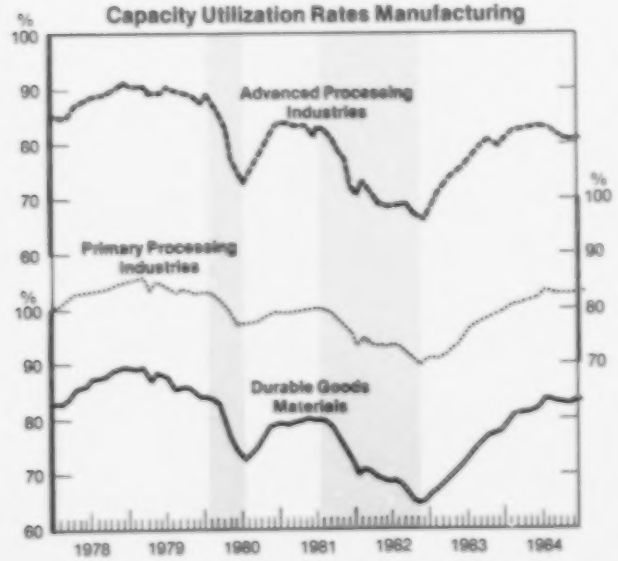
** Results based on survey respondents' expectations.



*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[a]		Merrill Lynch Economics Inc.[b]		E.I. duPont de Nemours & Co.[b]		Georgia State University[a]	
Date of Forecast			*Feb., 1985*		*Feb., 1985*		*Feb., 1985*		*Feb., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**IV**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**
	1985	I	3843.7	8.7	3843.6	8.7	3820.8	6.2	3835.4	7.8
		II	3905.2	6.6	3915.3	7.7	3879.2	6.3	3914.2	8.5
		III	3972.9	7.1	3989.5	7.8	3948.2	7.3	3973.6	6.2
		IV	4044.1	7.4	4063.6	7.8	4017.8	7.2	4042.3	7.1
	1986	I	4108.2	6.5	4140.3	7.8	4085.0	7.9	4105.2	6.4
		II	4175.6	6.7	4217.6	7.7	4162.5	8.8	4178.0	7.3
		III	4253.1	7.6	4305.5	8.6	4243.2	5.9	4221.3	4.2
		IV	4345.4	9.0	4395.9	8.7	4246.8	.3	4293.3	7.0
	1987	I	4448.3	9.8						
	1985	Annual	3941.5	7.6	3953.0	7.9	3916.5	6.9	3941.4	7.8
	1986	Annual	4220.6	7.1	4264.8	7.9	4191.9	7.0	4199.5	6.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**IV**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**
	1985	I	1681.8	4.1	1680.7	3.9	1678.0	3.2	1682.2	4.2
		II	1697.2	3.7	1694.3	3.3	1691.0	3.1	1704.5	5.4
		III	1714.1	4.0	1707.0	3.0	1704.0	3.1	17*3.0	3.2
		IV	1730.5	3.9	1719.4	2.9	1717.0	3.1	1728.6	2.5
	1986	I	1742.8	2.9	1731.4	2.8	1731.5	3.4	1735.9	1.7
		II	1755.2	2.9	1744.8	3.1	1750.0	4.3	1745.8	2.3
		III	1769.9	3.4	1760.0	3.5	1757.0	1.8	1745.0	-.2
		IV	1786.8	3.9	1776.8	3.9	1741.0	-3.8	1754.5	2.2
	1987	I	1807.0	4.6						
	1985	Annual	1705.9	4.0	1700.3	3.7	1697.5	3.5	1708.3	4.2
	1986	Annual	1763.7	3.4	1753.3	3.1	1744.9	2.8	1745.3	2.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**IV**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**
	1985	I	226.5	4.4	226.7	4.7	227.7	2.9	228.0	3.4
		II	230.1	2.7	231.1	4.3	229.4	3.0	229.6	2.9
		III	231.8	3.0	233.7	4.6	231.7	4.1	231.3	2.9
		IV	233.7	3.4	236.3	4.6	234.0	4.0	233.8	4.5
	1986	I	235.7	3.5	239.1	4.8	236.5	4.3	236.5	4.8
		II	237.9	3.7	241.7	4.4	239.0	4.3	239.3	4.9
		III	240.3	4.1	244.6	4.9	241.5	4.3	241.9	4.4
		IV	243.2	4.9	247.4	4.6	243.9	4.1	244.7	4.7
	1987	I	246.2	5.0						
	1985	Annual	231.0	3.4	232.5	4.0	230.7	3.3	230.7	3.3
	1986	Annual	239.3	3.6	243.2	4.6	240.2	4.1	240.6	4.3
Unemployment Rate										
Actual	**1984**	**IV**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
	1985	I		7.2		7.3		7.4		7.4
		II		7.1		7.1		7.3		7.2
		III		7.0		7.1		7.1		6.9
		IV		6.9		6.9		6.9		6.9
	1986	I		6.9		6.9		6.7		6.9
		II		7.0		7.0		6.6		6.9
		III		6.9		7.1		6.8		7.2
		IV		6.9		7.0		7.0		7.2
	1987	I		6.8						
	1985	Annual		7.1		7.1		7.2		7.1
	1986	Annual		6.9		7.0		6.8		7.1

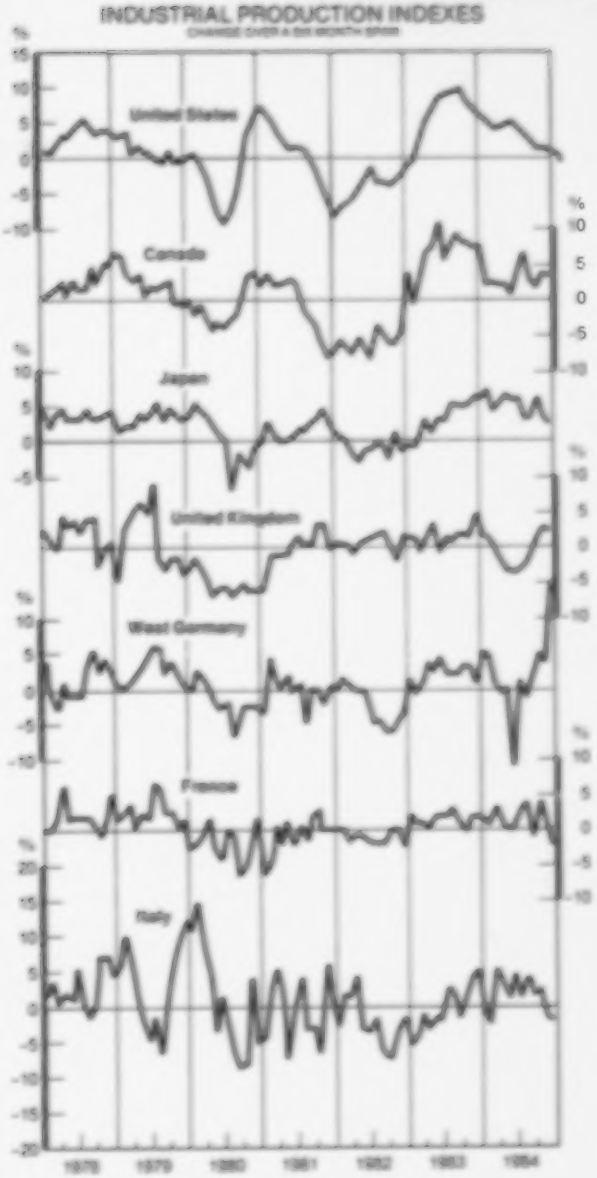
Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[a]Based on preliminary fourth quarter data.
[b]Based on revised fourth quarter data.

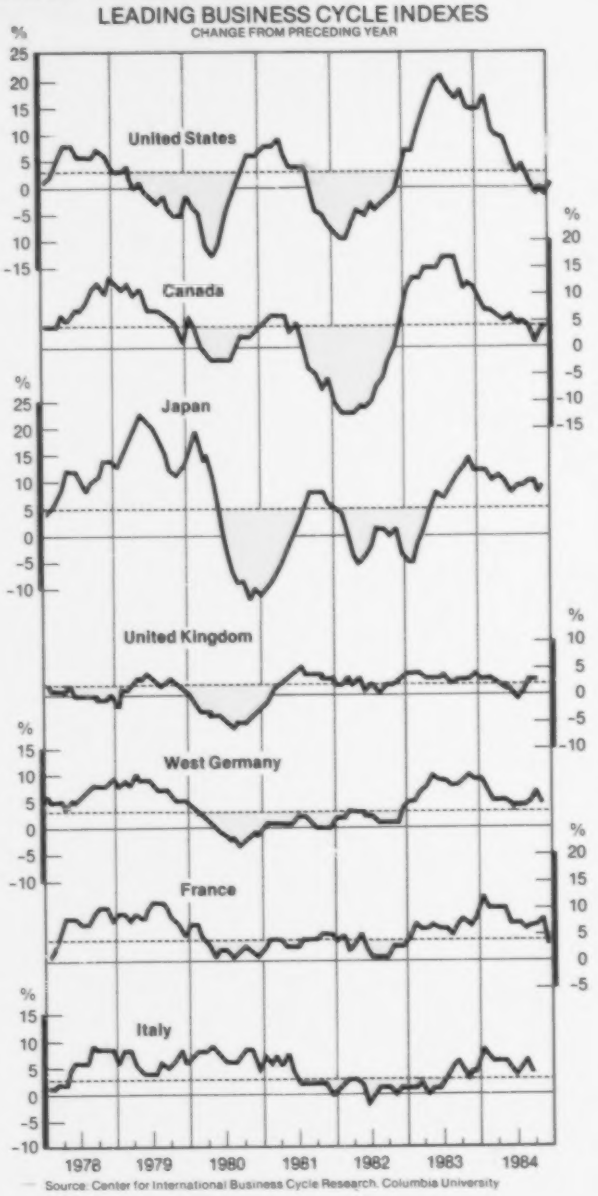
ECONOMIC FORECASTS (continued)

The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[4]		Date of Forecast		
Jan., 1985		Feb., 1985		Feb., 1985		Feb., 1985				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3794.2	**7.8%**	**$3794.2**	**7.8%**	**$3794.2**	**7.8%**	**IV**	**1984**	**Actual**
$3817.0	7.1	3848.0	9.2	3835.7	7.8	3855.7	10.1	I	1985	
3898.0	9.9	3919.7	7.7	3894.4	6.3	3910.1	5.8	II		
3970.0	7.6	3995.0	7.9	3954.5	6.3	3966.9	5.9	III		
4039.0	7.1	4044.7	5.1	4013.6	6.1	4027.2	6.2	IV		
4090.0	5.1	4094.4	5.0	4081.4	4.8	4101.8	7.6	I	1986	
4161.0	7.1	4185.8	7.2	4112.1	5.1	4165.7	6.4	II		
4239.0	7.7	4250.1	6.3	4173.4	6.1	4236.8	7.0	III		
4316.0	7.5	4340.6	8.8	4249.8	7.5	4313.0	7.4	IV		
		4438.6	9.3	4336.8	8.5	4396.8	8.0	I	1987	
3931.0	7.4	3951.9	7.9	3924.6	7.1	3940.0	7.5	Annual	1985	
4201.5	6.9	4212.7	6.6	4149.1	5.7	4204.3	6.7	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
		$1684.8	**4.9%**	**$1684.8**	**4.9%**	**$1684.8**	**4.9%**	**IV**	**1984**	**Actual**
$1678.2	4.2	1681.8	4.1	1679.5	3.3	1684.7	4.9	I	1985	
1699.4	5.1	1695.1	3.2	1692.9	3.5	1696.9	2.8	II		
1712.7	3.2	1710.2	3.8	1708.8	3.3	1703.9	1.7	III		
1722.2	2.2	1714.6	1.0	1718.6	2.9	1711.2	1.7	IV		
1722.8	.1	1718.9	1.0	1725.1	1.5	1722.4	2.6	I	1986	
1733.5	2.5	1730.8	2.8	1732.0	1.6	1733.1	2.5	II		
1747.5	3.3	1746.8	3.7	1741.9	2.3	1745.6	2.9	III		
1760.6	3.0	1762.3	3.6	1754.8	3.0	1759.6	3.2	IV		
		1780.4	4.2	1771.9	4.0	1775.0	3.5	I	1987	
1703.1	3.9	1700.4	3.7	1699.2	3.6	1699.2	3.6	Annual	1985	
1741.1	2.2	1739.7	2.3	1738.5	2.3	1740.2	2.4	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
		226.1	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	**IV**	**1984**	**Actual**
227.4	2.8	226.8	4.9	226.5	4.3	226.9	5.0	I	1985	
229.4	3.4	231.2	4.3	230.0	2.7	230.4	2.8	II		
231.8	4.3	233.6	4.1	231.7	2.9	232.8	4.2	III		
234.5	4.8	235.9	4.0	233.5	3.2	235.3	4.4	IV		
237.4	5.0	238.2	4.0	235.4	3.3	238.1	4.9	I	1986	
240.0	4.5	240.7	4.2	237.4	3.4	240.4	3.8	II		
242.6	4.3	243.3	4.4	239.6	3.7	242.7	4.0	III		
245.1	4.3	246.3	5.0	242.2	4.4	245.1	4.0	IV		
		249.3	5.0	244.8	4.3	247.7	4.3	I	1987	
230.8	3.3	232.4	4.0	230.9	3.4	231.9	3.8	Annual	1985	
241.3	4.6	242.1	4.2	239.7	3.3	241.6	4.2	Annual	1986	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	**IV**	**1984**	**Actual**
	7.3		7.1		7.3		7.3	I	1985	
	7.1		7.0		7.2		7.1	II		
	7.1		7.0		7.1		7.1	III		
	7.4		7.1		7.2		7.2	IV		
	7.7		7.3		7.3		7.3	I	1986	
	7.8		7.2		7.4		7.3	II		
	7.8		7.1		7.5		7.2	III		
	7.8		7.0		7.6		7.2	IV		
			6.8		7.5		7.2	I	1987	
	7.2		7.1		7.2		7.2	Annual	1985	
	7.6		7.2		7.4		7.2	Annual	1986	

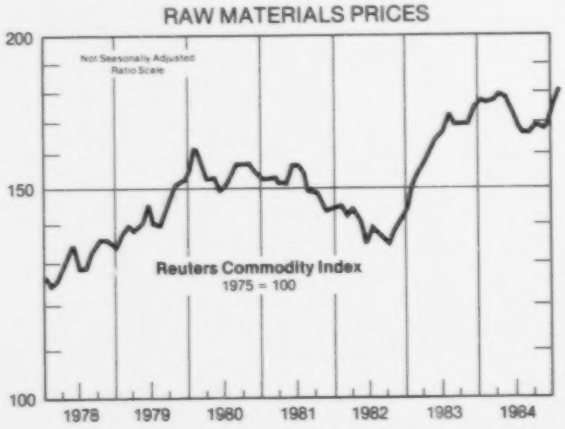
Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS



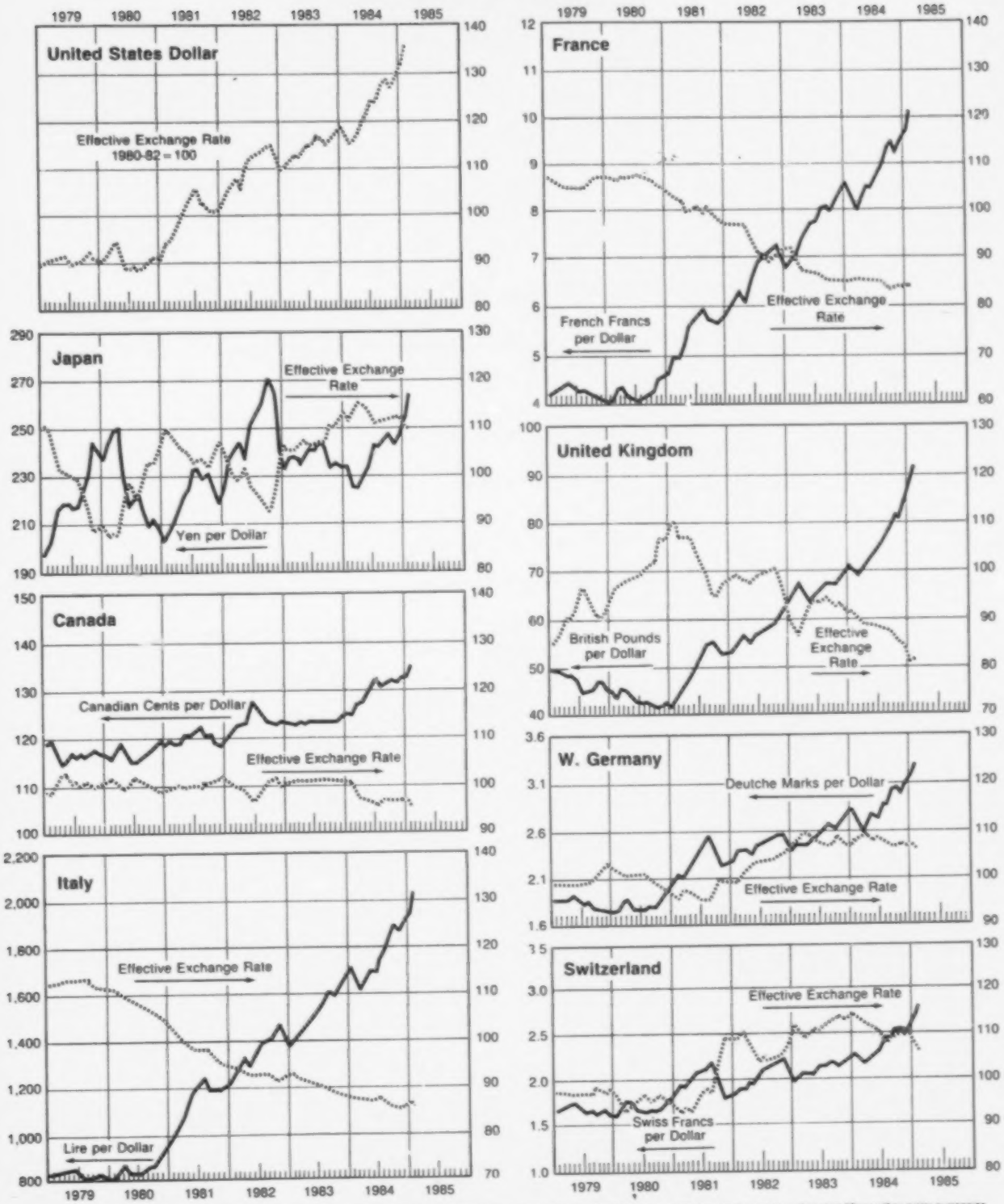


Source: Center for International Business Cycle Research, Columbia University



Foreign Exchange Rates

Indexes: 1980-82 = 100



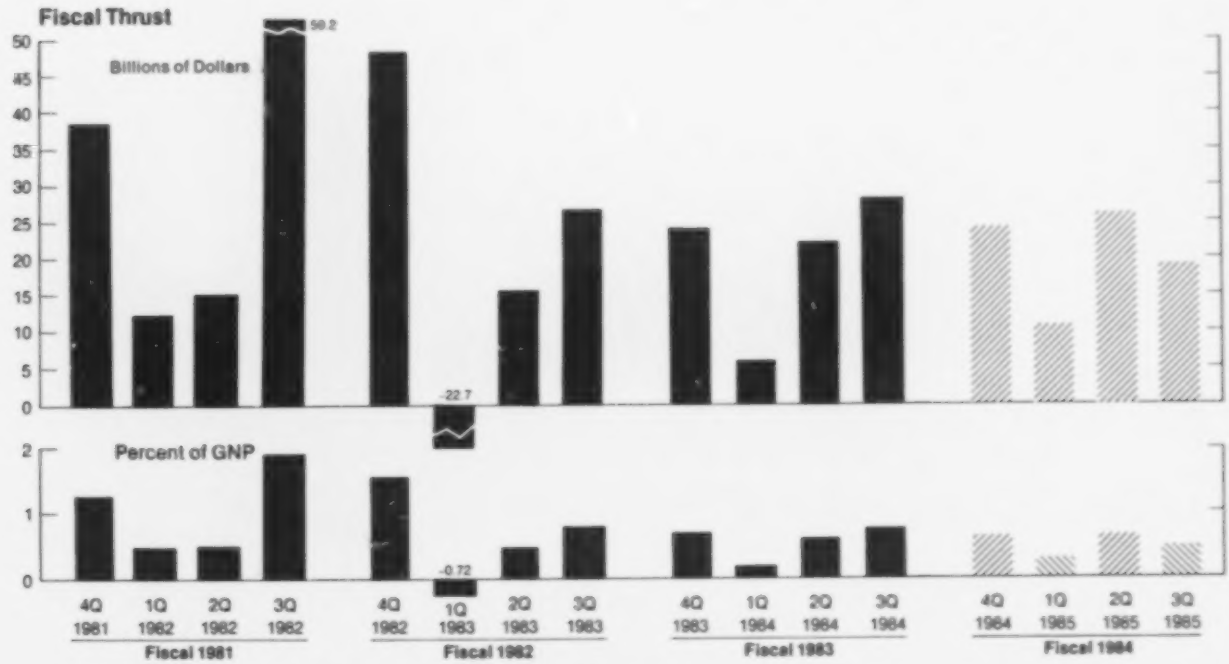
Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

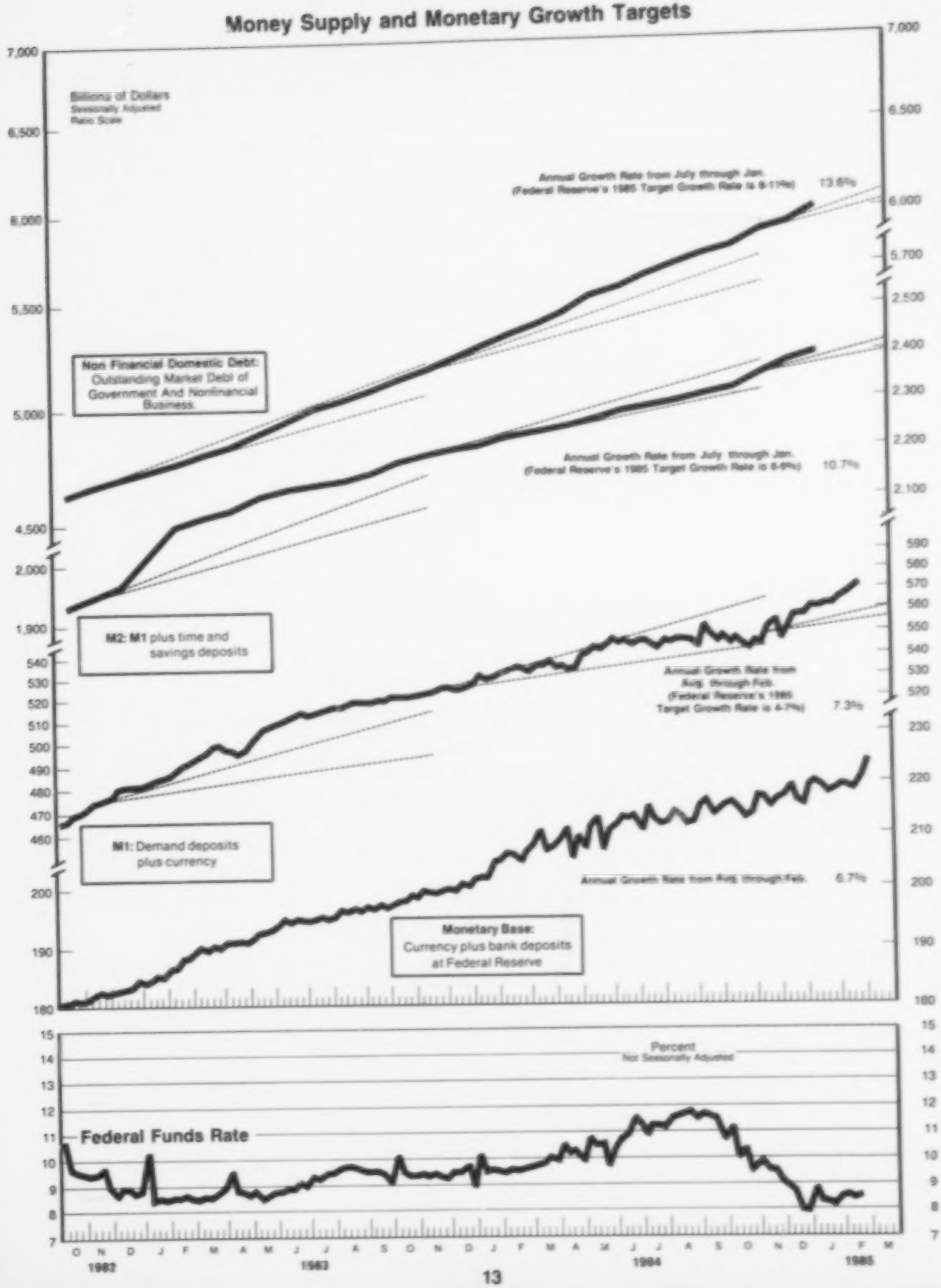
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Outlays	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
Deficit	**-223.6**	**-222.2**	**-215.0**	**-230.3**	**-180.0**	**-186.0**
Receipts by source	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	299.4	289.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
National defense	253.2	253.8	252.8	294.6	285.7	284.7
Social security and medicare	257.4	257.4	254.4	273.6	269.4	268.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	8.6	8.6	8.6	8.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	8.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	145.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	0.4	0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



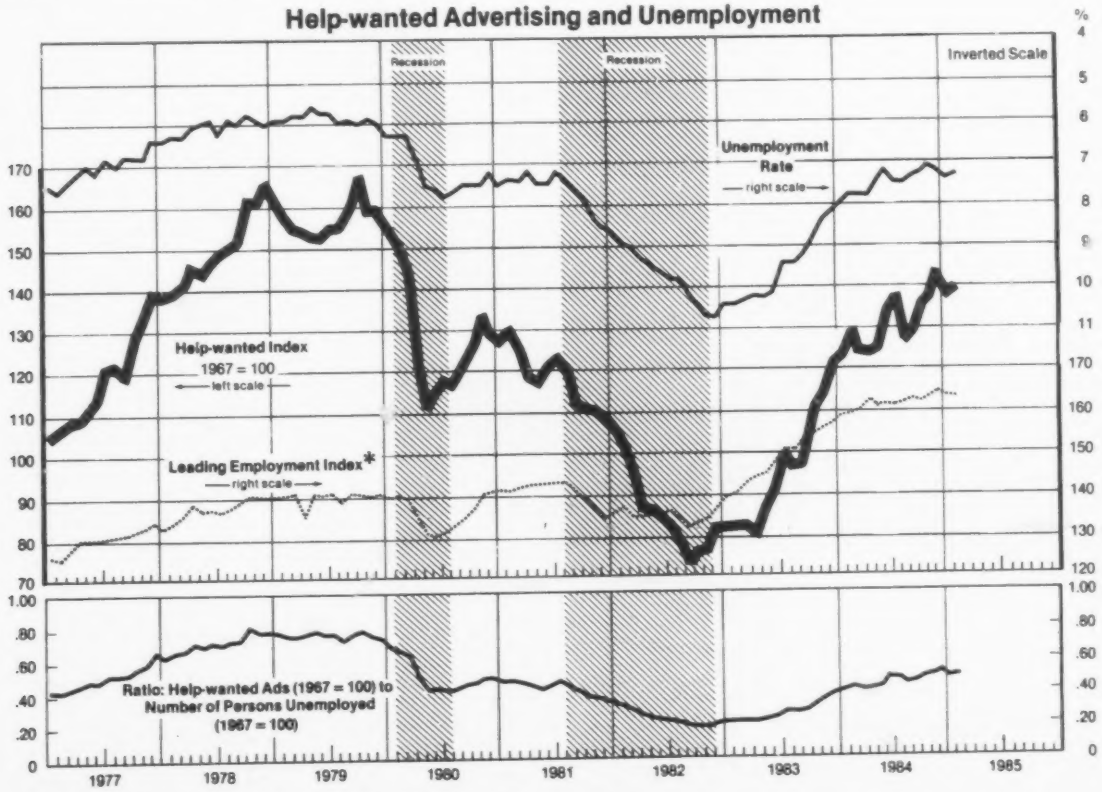
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Jan.	1984 Dec.	1984 Nov.	1984 Jan.
National Index	138	145	137	123
New England	147	154	143	128
Boston	161	168	154	145
Hartford	N.A.	143	147	125
Providence	109	116	103	75
Middle Atlantic	66	67	63	57
Albany	144	141	130	119
Allentown	202	166	171	151
New York	54	53	52	48
Philadelphia	57	64	61	51
Pittsburgh	66	71	58	55
Rochester	85	82	76	67
Syracuse	99	112	107	82
East North Central	83	94	84	70
Chicago	90	107	99	81
Cincinnati	130	137	122	86
Cleveland	59	65	57	50
Columbus	137	145	130	103
Dayton	69	73	60	55
Detroit	56	62	52	50
Gary	115	105	104	95
Indianapolis	87	113	95	68
Milwaukee	56	63	55	51
Toledo	114	119	103	92
West North Central	83	98	89	76
Kansas City	121	164	132	98
Minneapolis	81	90	81	73
Omaha	124	117	112	114
St. Louis	N.A.	61	64	55
South Atlantic	165	170	169	145
Atlanta	295	307	309	270
Baltimore	116	112	143	88
Charlotte	151	151	141	129
Jacksonville	191	208	202	166
Miami	79	77	77	83
Richmond	106	105	88	82
Washington, D.C.	168	178	161	147
East South Central	142	143	127	122
Birmingham	149	149	139	127
Knoxville	201	196	178	170
Louisville	85	76	77	69
Memphis	105	107	104	102
Nashville	210	223	171	176
West South Central	279	291	275	278
Dallas	402	423	392	386
Houston	341	358	337	358
New Orleans	117	130	129	127
Oklahoma City	153	159	154	156
San Antonio	210	191	199	186
Tulsa	158	177	154	143
Mountain	311	353	336	287
Denver	N.A.	N.A.	214	208
Phoenix	457	552	493	374
Salt Lake City	347	378	353	317
Pacific	206	206	200	181
Los Angeles	157	153	148	147
Sacramento	341	329	321	306
San Bernardino	228	210	187	165
San Diego	434	404	431	360
San Francisco	212	238	223	170
Seattle	185	186	182	182
Percentage of papers with rising volume	31	80%	55%	59%
Unemployment rate	7.4%	7.2%	7.1%	8.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4r	95.2p										

Buying Plans Index

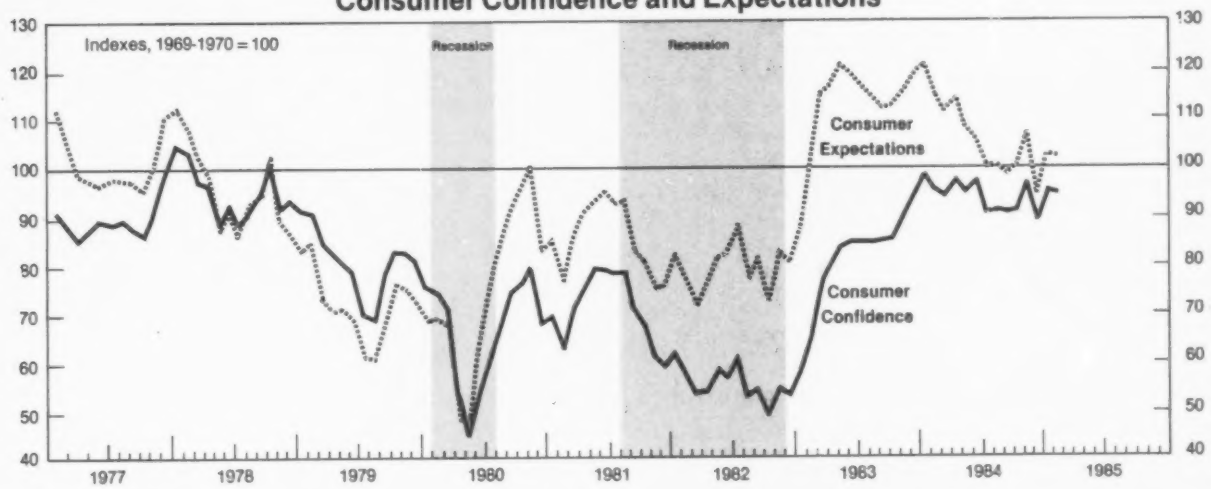
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3r	103.9p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

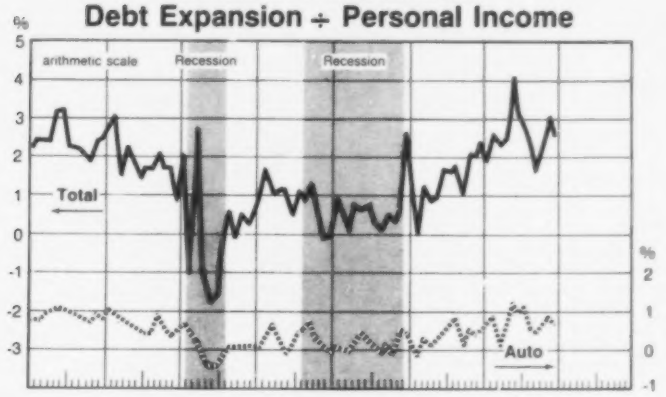
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

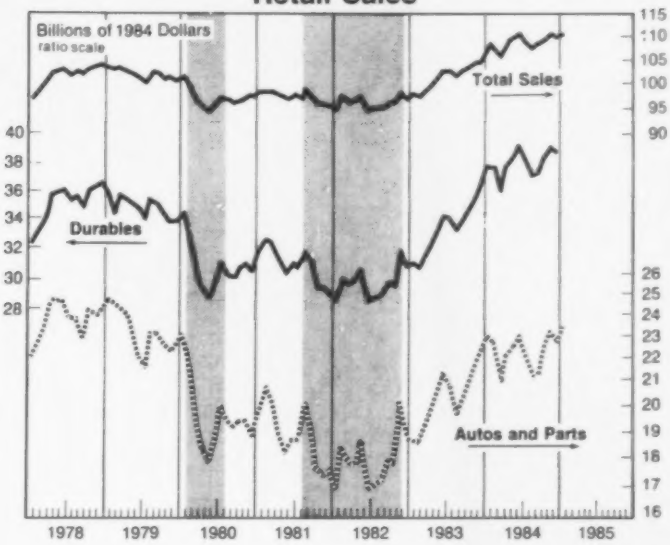
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



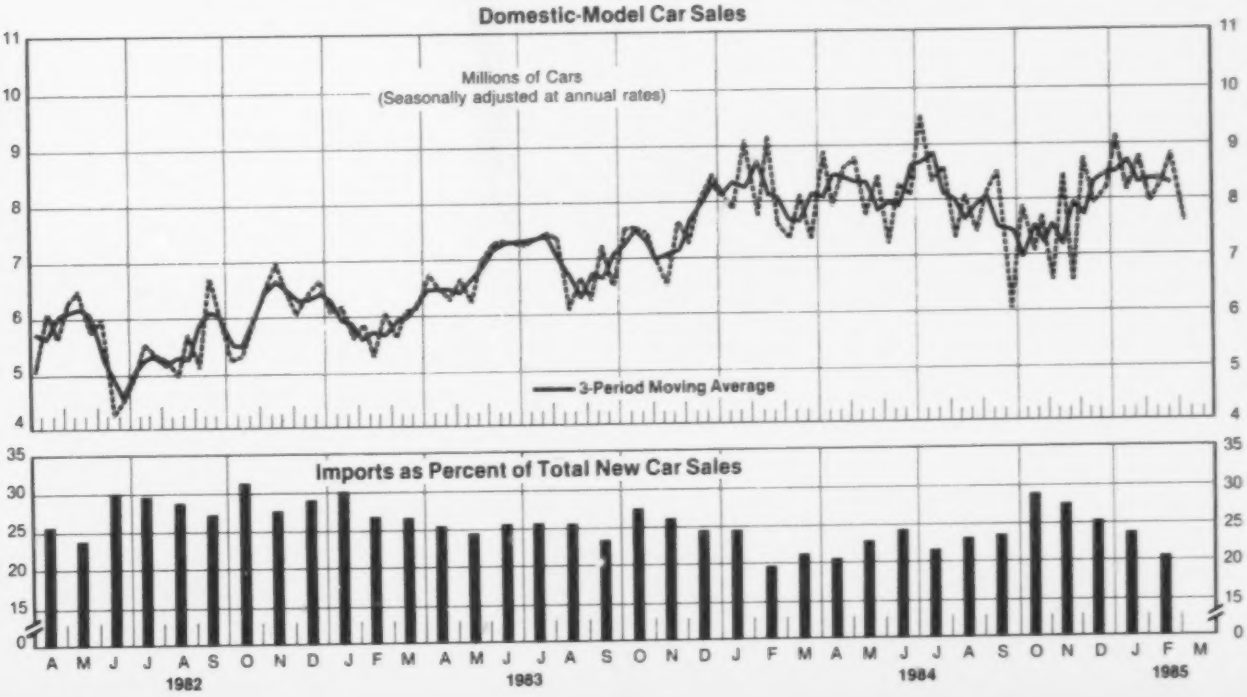
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.76
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	
	21-31	6.17	6.19	7.35	
April:	1-10	5.06	6.69	8.88	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.67	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
3-Period Moving Average
Imports as Percent of Total New Car Sales
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M
1982
1983
1984
1985